

June 23, 2000

DCMA-OC

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY
AND LOGISTICS)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS, AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)

SUBJECT: Single Process Initiative (SPI) Quarterly Report, March 1, 2000 – May 31, 2000

This is the third SPI Quarterly Report of FY 2000. This report is primarily dedicated to the third annual SPI Awards Program ceremony held on May 5, 2000. Summaries of keynote speeches and citations of the awardees are included. The next SPI Executive Council meeting will be September 21, 2000. The next quarterly report will cover the months June through September.

Our report provides highlights of the significant activities for the Corporate Management Councils, Civil Military Integration (CMI) Center, and other acquisition related items. More detailed information is available at the DCMA home page under Centers of Excellence, "Civil Military Integration (SPI)." (<http://www.dcmc.hq.dla.mil/>).

Please send any comments on this report to Ms. Stephanie Strohbeck, CMI Center at (703) 767-2471.

/s/

TIMOTHY P. MALISHENKO
Major General, USAF
Director

Attachment

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***Single Process Initiative Quarterly Report
March 1, 2000 --- May 31, 2000***

Executive Summary

This report summarizes the Civil Military Integration (CMI) and Single Process Initiative (SPI) activities since March 1, 2000. The report includes the June 22, 2000 SPI Executive Council meeting agenda topics. This report is largely dedicated to the third annual SPI Awards Program and the ceremony held on May 5, 2000. Additionally, the report provides summaries of issues being discussed at the various Corporate Management Councils and addresses CMI Center activities. Other activities include: presentations made by the DCMA CMI Center, the Aerospace Industries Association Supplier SPI Working Group, and a proposed escalation policy. Finally, this report shares news about SPI related acquisition reform efforts including the release of a new Navy Turbo Streamliner.

Upcoming SPI Executive Council Meeting

The SPI Executive Council met on June 22, 2000. Topics discussed were Paid Cost Rule Status, Challenges for the Future of SPI, Government Property SPIs, Commercial Designations Working Group, and an update of the Aerospace Industries Association's Supplier Management Council. Minutes from previous meetings may be found at:

http://www.dcmc.hq.dla.mil/dcmc_o/oc/Spi/minutes.htm.

SPI Recognition Awards Program

The third annual SPI Recognition Awards Program had five categories of awards, including awards for Management Councils, Contract Management Offices (CMO), and Individual Achievement. The purpose of the awards program is to recognize Management Councils (contractor, DCMA, DCAA, and major customer members), geographical CMO teams, and individuals making significant progress implementing SPI. Among the goals of the awards program are encouraging Management Councils to work with sub-tier suppliers and facilitating changes that result in significant improvements in cost, schedule, or technical performance, and encouraging Management Councils and geographic CMOs nationwide to share successes and lessons learned.

Awards Ceremony

On May 5, 2000, the DCMA Director hosted the third annual SPI Recognition Awards Program Ceremony at the Fort Belvoir Defense Logistics Agency Headquarters Complex. The Honorable David R. Oliver, Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics, was the keynote speaker and Mr. John Douglass, President and Chief Executive Officer of the Aerospace Industries Association, participated as a special guest speaker.

Highlights from Mr. Oliver's Speech

Mr. Oliver credited the Management Councils, CMOs, and individuals for their successes. He commended the important progress made to date and appealed to all to do more, taking risks to move things forward. He suggested Government organizations and industry should assign “heroes” to take initiatives and push them. He specifically credited DCMA for the broad-based change recently made through the elimination of the paid cost rule. He also cited the developing concept of strategic supplier alliances as a potential method for change.

Synopsis of Mr. Douglass's Remarks

Mr. Douglass opened by paraphrasing a quotation from the Tale of Two Cities: “these are the best of times and the worst of times.” He continued to say though the Cold War has been over for eleven years, it has left us in somewhat of an unfocused era. He emphasized that Acquisition Reform and SPI are not a turn from evil to good, but rather a joint shift to a new way of doing business together. Lastly, he suggested this is a time in which it takes extraordinary people to lead, people with courage as well as leadership abilities.

Award Recipients

Award Category: Civil Military Integration

For the Management Councils who have been most successful in utilizing SPI as a tool toward achieving civil military integration as evidenced by significant changes to cost, schedule, technical performance, or other benefits.

The Management Council at Lockheed Aeronautics, Ft Worth, TX

This Management Council utilized SPI to implement CMI. Two SPIs significantly furthered commercialization and the creation of an integrated digital environment. Performance Based Technical Data Packages (TDP) and Electronic TDP Indexing and Formatting create an environment allowing for introduction of commercial practices for TDPs and submittal and storage of data electronically, thereby reducing acquisition costs for the company, suppliers and government. Savings and avoidance exceeding \$11M is expected. An additional \$2M savings and avoidance resulted from the Electromagnetic Environmental Effects SPI which uses a performance based approach to establish system requirements for electromagnetic interference and bonding.

The Management Council at Northrop Grumman Air Combat Systems, El Segundo, CA

Northrop Grumman's Air Combat Systems Joint Management Council has processed 37 SPIs, approving 23. Approvals resulted in an estimated \$13.1 million annual cost savings/avoidance, contributing to a 13% reduction in the unit cost of the F/A-18 C/D and continued savings for the F/A-18 E/F. SPI is a primary Acquisition Reform enabler; however, the Council has gone “beyond SPI” to embrace Lean and Knowledge Management as complementary tools to achieve CMI. These tools/enablers returned \$15M to the B-2 program. The CMI Charter and Annual Operating Plan continues to ensure a “Commitment to Managed Innovation.”

Award Category: Supplier Mentoring

For the Management Councils most successful at clearing barriers and providing incentives for suppliers, or facilitating increased supplier participation in SPI and other acquisition reform initiative.

The Management Councils of Boeing Enterprise-wide, Seattle, WA

The Management Councils supporting the Boeing Company were recognized for their teamwork with Boeing and support in the area of SPI Supplier Mentoring. The Boeing Company developed a very successful enterprise-wide process for the receipt and disposition of supplier submitted SPIs. Key to this process is the single-point-of-contact for suppliers. This allows for a simplification and streamlining of the supplier interface with Boeing. It also allows for a concurrent review by the Government and Boeing, thereby shortening the review cycle at Boeing once Government approval notification is provided by the supplier.

The Corporate Management Council of the Lockheed Martin Corporation, Bethesda, MD

The Corporate Management Council of Lockheed Martin significantly enhanced supplier mentoring by authorizing the implementation of the Supplier SPI. Lockheed Martin uses the structured approach of its LM21 Best Practices program to increase numbers of supplier SPIs submitted, standardize the submittal format, and establish the Supplier SPI Review process. The implementation has realized savings over \$33 million and approved supplier SPIs for additional savings of \$60 million to be realized over the next eight years. Lockheed Martin works with Aerospace Industry Association to implement the Supplier SPI across the industry.

Award Category: Acquisition Pollution Prevention

For the Management Council at the forefront of finding testable alternatives to processes that use hazardous material.

The Management Council of the Raytheon Company, Arlington, VA

Raytheon Systems Company's Customer Council covers in excess of 60 plants organized into five business segments. This senior level council coordinates the activities of the five Segment Councils, which report directly to it. It functions as the forum for discussing and encouraging Acquisition Reform initiatives throughout Raytheon. One of the efforts it undertook was the development of an acceptable test protocol for determining the suitability of replacement primers and topcoats. While these efforts allowed the company to significantly increase efficiency on DoD contracts, the Primers and Topcoats SPI has placed Raytheon Company in a position to effectively develop and implement pollution prevention alternatives in the field of paints and coatings.

Award Category: Increasing Participation

For the Contract Management Offices (CMO) most effective at increasing participation by utilizing innovative approaches.

DCM Dayton

DCM Dayton Administrative Contracting Officers have issued SPI block change modifications on 12 of 16 concept papers. The modifications consist of: 2 for ISO-10012-1 calibration standards, 3 for ANSI-J-STD-001B soldering, 2 for revised FAR 52.244-2 clause on subcontractor consent/recognition, 2 in-house Performance Specifications for solder and paint &

coating requirements, 1 AWS D1.2 for welding, 1 to incorporate FAR 52.246-15 Certificate of Conformance clause, and 1 IPC-4101 for best commercial practice to specify printed circuit board material. DCM Dayton continues to pursue new approaches for increasing contractor SPI participation.

DCM Seattle

DCM Seattle was struggling in the SPI arena. Realizing a proactive approach was needed, an intense training program was initiated. Being a geographical CMO, serving small-to-mid-sized contractors, they needed to find ways to reach the largest possible group of contractors with the SPI benefits. A Quarterly Joint Management Council was initiated to provide an innovative forum to turn the SPI program into a CMO success story. As a result of these efforts, DCM Seattle increased the number of SPI concept papers by 500%, the participating contractors by 600%, and identified and modified eight new processes.

Award Category: Individual Achievement

For Government and industry individuals instrumental in the processing and implementation of SPI concept papers or who have made other significant contributions in SPI and related initiatives.

Twelve individuals from industry and eighteen from the Government were recognized. A complete listing can be found at http://www.dcmc.hq.dla.mil/Dcmc_o/oc/spi/Awards.htm along with a brief summary of each person's accomplishments.

Corporate Management Councils Meeting and Activities

Honeywell Joint Corporate Council

At its March 7, 2000 meeting in Phoenix, AZ, the Council discussed the Honeywell/AlliedSignal restructuring/merger status, charter revision, Enterprise Resource Planning status report, and progress of several ongoing initiatives: Quality Assurance Rapid Improvement Team and Strategic Supplier Alliance, commercial site, commercial packaging, delivery delinquency, Government property, and contract closeout. Before adjourning, members also addressed the SPI improvement program and operational issues such as joint metrics and monthly management review topics. The next meeting will take place July 26, 2000 in Minneapolis, MN.

Raytheon Corporate Council

The quarterly meeting was held on April 26, 2000 in Andover, MA. Key issues discussed were the implementation schedule for Earned Value Management System throughout Raytheon, a status report on each of the centers of excellence, current issues affecting property control, recommendations for expediting contract closeout, and the status of current SPIs. In addition, the results of the Customer Satisfaction Survey, which polled both domestic and international customers, was discussed. The individual Business Councils reported on their meeting activities. The next Corporate Council meeting, scheduled for September 30, 2000, will be held in Rosslyn, VA.

Boeing Joint Leadership Council

The Council met on May 10, 2000 in St. Louis, MO. A major topic of discussion was CMI and its relationship to Boeing's 2000 Focus. In addition, lead personnel from Boeing's Process Councils addressed CMI as it relates to Operations, Quality, and Engineering. A CMI memorandum of agreement, which was signed in March, allows Boeing to make commercial item determinations and DCMA to endorse movement of work from DoD facilities to commercial facilities. Highlights of a report prepared by the Process Assessment System were reviewed. The Council previously sanctioned a joint DCMA/Boeing Committee with the task of providing recommendations on approaches for common process assessments at the top level – allowing Operations Groups and Sites to utilize metrics in these areas as appropriate for their businesses; a MOA was signed last month. Before adjourning, Boeing provided an overview of the Integrated Digital Environment initiative. The next meeting is scheduled for August 9, 2000 in Seattle, WA.

Lockheed Martin Corporate Management Council

At its May 17, 2000 meeting in Crystal City, VA, the Council addressed recent Lockheed Martin and DCMA organization changes, agency presentations on key Customer Focus issues, earned value management initiatives, local and site Management Council focus, paid cost rule update, and SPI status. Other discussions centered on (1) Lockheed's Best Practices initiative (umbrella program to bring 17 organizations into one), (2) the new Business to Business organization that was recently founded by Lockheed Martin, Boeing, Raytheon, BAE Systems, and Commerce One to provide a joint aerospace and defense trading exchange, and (3) a proposed procedure for DCMA/Government representatives to participate in a Lockheed Martin-sponsored Capability Maturity Model for Internal Process Improvement assessments. The next meeting is scheduled for September 7, 2000 in Crystal City, VA.

CMI Center Activities

Intensified Oversight of SPI Overage Papers

At the last SPI Executive Council meeting, some attendees expressed concerns that concept papers are taking too long to process. As a result, the CMI Center and the SPI Management Team have intensified their oversight of overage concept papers. A concept paper is considered overage when it reaches the 120-day SPI cycle time goal, except for those requiring changes to laws and regulations and those submitted under the Acquisition Pollution Prevention Program. At the end of March 2000, the number of overage concept papers was 79. Thanks to the efforts of many Management Council members, the number of overage concept papers has been reduced to 33 by the beginning of June. We will continue to aggressively monitor overage and assist Management Councils in their resolution efforts.

Defense Contract Management Sikorsky Aircraft Acquisition & Logistics Reform Field Activity Day

Defense Contract Management (DCM) Sikorsky Aircraft held its Acquisition & Logistics Reform Field Activity Day on May 23, 2000 at the Sikorsky Aircraft facility in Shelton, CT. Opening and closing remarks were given by Captain Hough, USN, DCM Sikorsky Aircraft Commander. Mr. Dean Borgman, Sikorsky Aircraft Corporation President, spoke about Sikorsky in the 21st Century. The H60 Helicopters Program Manager, Captain Milton, USN,

presented his view of Acquisition & Logistics Reform, Pat Gnazzo, United Technologies Corporation Vice President of Business Practices, gave a presentation on Spare Parts & Commercialization, and E-Business at Sikorsky was presented by Mr. James Falco, Vice President of E-Commerce at Sikorsky Aircraft Corporation. Ms. Stephanie Strohbeck, CMI Center Director, spoke about Achieving CMI. All presentations were informative and well received by the DCM and Sikorsky Aircraft Corporation audience.

New Escalation Policy Drafted

In accordance with recent meetings, including a session June 1, 2000 with industry representatives from Honeywell, Boeing, Rockwell Collins, and Northrop Grumman, the SPI Management Team drafted an OSD memorandum, narrative description, and flowchart on a DoD SPI escalation policy. A key component of the SPI process is timely concept paper completion. Establishment of a defined and expeditious escalation process when there are intraservice and interservice disagreements on concept papers will enhance the SPI, as well as further the goal of CMI. The process will be presented to the SPI Executive Council at the June 22, 2000 meeting. Upon completion of formal routing, this process will be finalized.

Related Reform Notes

Aerospace Industries Association Supplier Single Process Improvement Working Group

The Aerospace Industries Association Supplier Single Process Improvement Working Group met April 13-14, 2000. Association members from Boeing, Honeywell, Lockheed Martin, Northrop Grumman, Raytheon, and a representative from the Defense Contract Management Agency attended the meeting. Major topics of discussion included industry standards to replace military specifications and standards on subcontracts, Honeywell-Lockheed Martin pilot on determination of commercial items, and commercial strategic supplier alliances. The group is drafting a supplier handbook to identify elements of an effective supplier management program and to share best practices.

Finding an Air Force Component Team Leader (AFCTL)

A revised listing of current Air Force points of contact for identifying and obtaining a component team leader was posted on April 27, 2000 to http://www.safaq.hq.af.mil/acq_ref/spi/afctl1.html. As before, the Program Executive Officer, Designated Acquisition Commander, or Technology Executive Officer with the majority of contract value for a contractor facility participating in SPI, appoints the AFCTL. AFCTL appointments are coordinated by Air Force Materiel Command Center SPI Points of Contact.

Single Process Initiatives reviewed against the Air Force's Broad Area Review

In November 1999, the Air Force completed a broad area review (BAR) chartered to examine recent launch failures, identify the causes for the failures, and provide recommendations. Several launch vehicle programs at Lockheed Martin Astronautics and Boeing were reviewed. Although the BAR did not specifically mention Acquisition Reform as a cause of the failures, a concern existed that it may have been a contributor. To address this possibility, Lockheed Martin Astronautics and an independent contractor (Scitor) were requested by the Government to assess SPIs against the findings and recommendations of the BAR. The conclusion was the SPIs not only did not adversely impact the BAR recommendations, but also in many cases actually supported implementation of the recommendations. SPIs improved the effectiveness of internal policies and procedures both before and after BAR. Before the BAR, several SPIs eliminated

individual program plans, including Quality Plans, in favor of a single internal process using best practices. Additionally, having a single process in place facilitates further improvements for all programs when specific recommendations are received through reviews such as the BAR. Further details may be obtained from Capt. Jeremy Ingram, DCM Lockheed Martin Denver, (303) 977-6026, JWINGRAM@DCMDW.DLA.MIL.

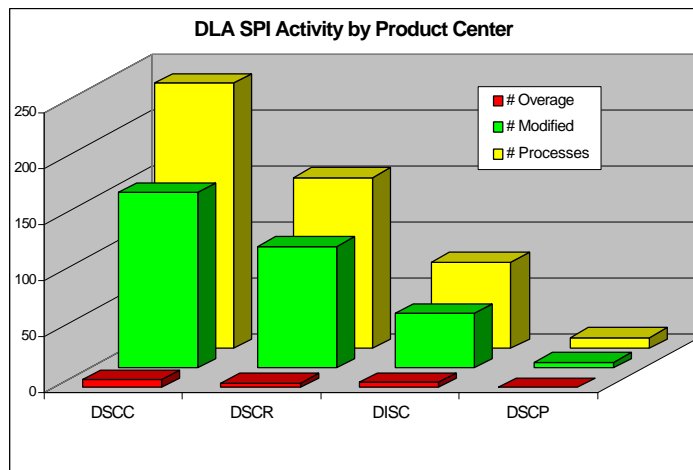
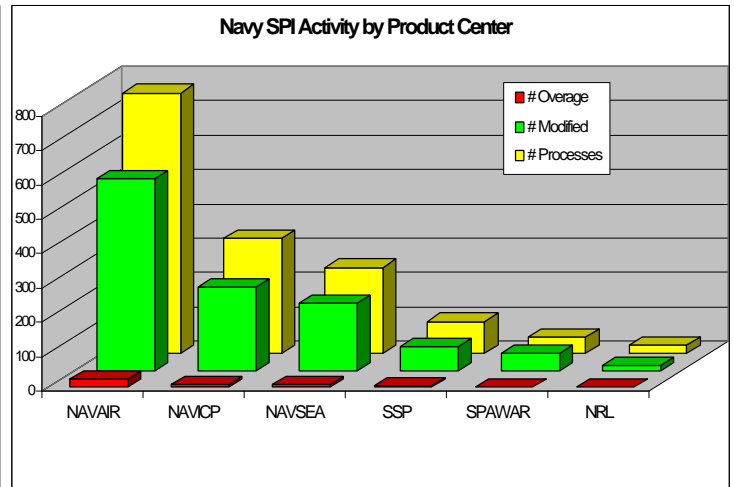
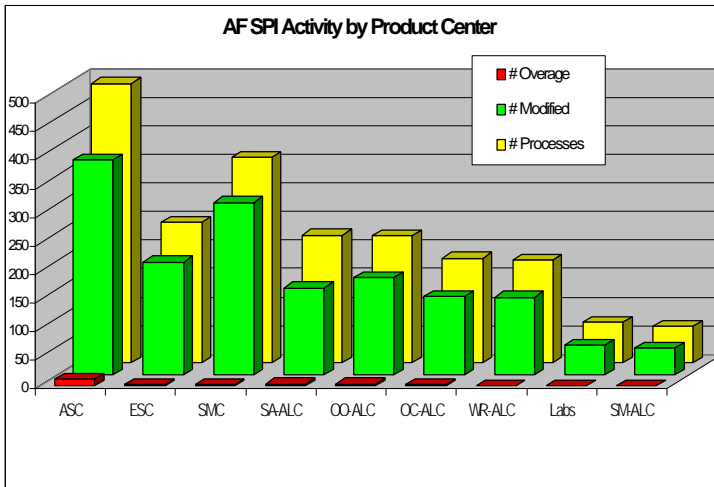
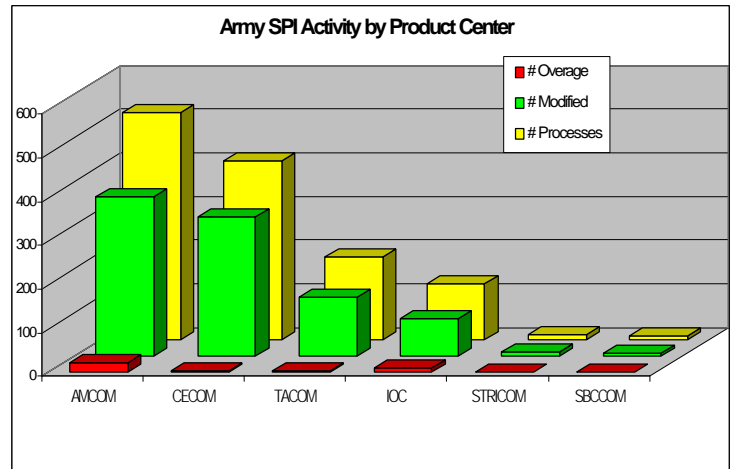
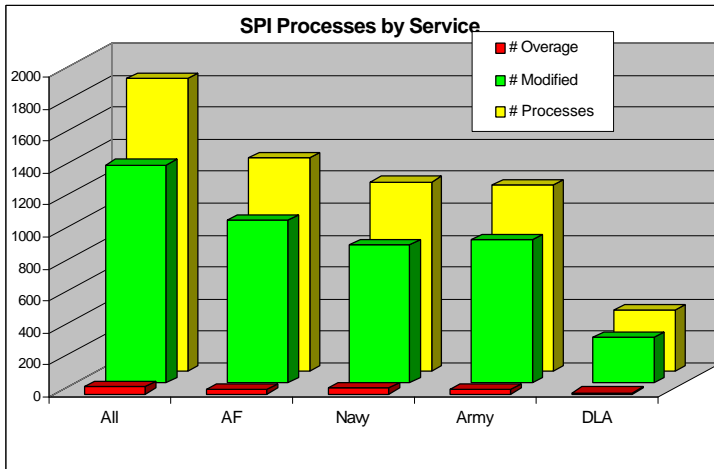
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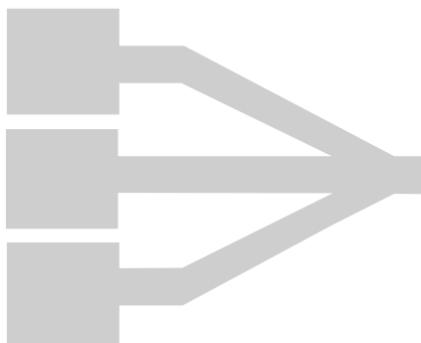
Army released edition 4 of their SPI Newsletter in April 2000. It can be accessed at <http://www.amc.army.mil/amc/rda/rda-ac/spi/spi-army.htm>. Its articles include those addressing a pending Army SPI Guidebook revision, the 1999 SPI Workshop recommendations, the announcement of Army individual SPI Award recipients, and the level of SPI activity.

New Navy Turbo Streamliner Introduced

Version 2 of the Turbo Streamliner was introduced in March 2000. This is an on-line tool developed by the Department of the Navy Acquisition Reform Office. The purpose of the tool is to assist the acquisition community in preparing Requests for Proposal (RFPs) that apply the principles of Acquisition Reform in acquiring products and services. The tool provides guidance in more than 80 functional and contractual areas. Version 2 of Turbo Streamliner is now available on the DoN Acquisition Reform web site at <http://www.acq-ref.navy.mil/turbo2>. Two new sections provide guidance on contracting for services in a performance-based acquisition environment and commercial support and sustainment.

SPI Demographics By Customer and Buying Office Quarterly Report, Period Ending May 31, 2000





SINGLE PROCESS INITIATIVE

Implementation Summary

Appendix B: As of May 31, 2000

Contractor Facilities:	334
Top 200 Corporation Facilities:	169
International Facilities:	15

Total Proposed Process Changes:	1833
Found Technically Unacceptable:	71

Processes Withdrawn/Disapproved:	364
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Total Block Change Modifications:	1361
Average days from Submittal to Modification:	146

Total Open:	108
* Total Open Aged Over 120 days:	41

Proposal Development (30 Days)	Total Under Development/Awaiting Initial Acceptance:	25
	Total Under Development for More than 30 Days:	24
Approval (60 days)	Total Under Review for Approval:	34
	Disagreements/Problems Escalated:	28
	Total Under Review for More than 60 Days:	19
Modification (30 days)	Total Awaiting Contract Modification:	49
	Total Awaiting Contract Modification for More than 30 Days:	48
Implementation Results	Amount Negotiated:	\$30,607,382
	Estimated Cost Avoidance on Future Contracts:	\$539,950,075

* Does not include Law/Reg Proposals or AP2I Proposals

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